BENEFUN INTERNATIONAL HOLDINGS LIMITED
奮發國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1130)

RESULTS FOR THE YEAR ENDED 30 JUNE 2006

RESULTS
The Board of Directors (the "Directors") of Benefun International Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2006, together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
(Expressed in Hong Kong dollars)

		For the year ended 30 June	
		2006	2005
	Notes	***$'000***	*$'000*
			(Restated)
Turnover	*2*	**219,447**	206,911
Cost of sales		**(148,522)**	(130,125)
		70,925	76,786
Other revenue		**16,242**	9,789
Distribution costs		**(62,426)**	(52,040)
Administrative expenses		**(29,760)**	(24,315)
(Loss)/profit from operations		**(5,019)**	10,220
Finance costs	*3*	**(93)**	(546)
(Loss)/profit from ordinary activities before taxation	*3*	**(5,112)**	9,674
Taxation	*4*	**(1,018)**	(3,680)
(Loss)/profit attributable to shareholders		**(6,130)**	5,994
(Loss)/earnings per share	*6*		
Basic		**(0.46) cent**	0.47 cent

CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

	Note	**As at 30 June 2006 $'000**	As at 30 June 2005 $'000 (Restated)
Non-current assets			
Property, plant and equipment		**59,811**	58,818
Construction in progress		**1,147**	2,986
Interests in leasehold land held for own use under operating leases		**1,176**	1,232
Deferred tax assets		**52**	124
		62,186	63,160
Current assets			
Inventories		**16,193**	27,237
Trade and other receivables		**55,050**	32,338
Tax recoverable		**–**	72
Cash and cash equivalents		**4,728**	41,357
		75,971	101,004
Current liabilities			
Trade and other payables		**31,006**	51,136
Income tax payable		**282**	–
Other financial liabilities		**–**	8,907
		31,288	60,043
Net current assets		**44,683**	40,961
Total assets less current liabilities		**106,869**	104,121
Non-current liabilities			
Other financial liabilities		**5,820**	–
Deferred tax liabilities		**1,539**	1,418
		7,359	1,418
Net assets		**99,510**	102,703
Capital and reserves			
Share capital		**13,319**	13,319
Reserves	*7*	**86,191**	89,384
		99,510	102,703

Notes:

1 **Basis of preparation and accounting policies**

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. The changes in presentation have been applied retrospectively.

HKAS 17 "Leases"
The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. The leasehold interests in land are reclassified to "Interests in leasehold land held for own use under operating leases", which are carried at cost and amortised over the lease term on a straight-line basis. The related revaluation reserve on the leasehold land is de-recognised and the related deferred taxation reversed. The change in accounting policy is adopted retrospectively and reflected by way of prior period adjustment and restatement of comparative figures.

HKFRS 2 "Share-Based payment"
The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payment. HKFRS 2 requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. The Group has applied HKFRS 2 to share options granted on or after 1 July 2005.

Summary of effects of the changes in significant accounting policies

	For the year ended 30 June	
	2006	2005
	$'000	*$'000*
Increase in amortisation of interests in leasehold land held for own use under operating leases	**(93)**	(65)
Decrease in depreciation of property, plant and equipment	**201**	173
Expenses in relation to share options granted as equity settled share base payment	**(1,646)**	–
Increase in deferred tax expense	**(17)**	(17)
Increase in net (loss)/profit for the year attributable to shareholders	**(1,555)**	91

The adoption of HKAS 17 resulted in a decrease in opening reserves at 1 July 2005 by HK$1,050,000. The adoption of other applicable new HKFRSs does not result in significant changes to the Group's accounting policies except for certain changes in the presentation and disclosure of financial information.

2 Segment results
An analysis of the Group's revenue and results by business segments for the year ended 30 June 2006, together with the comparative figures for the corresponding period in 2005 is as follows :

	Apparel manufacturing		**Property development**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	$'000	*$'000* (Restated)	***$'000***	*$'000*	***$'000***	*$'000* (Restated)
Segment revenue :						
Turnover	**214,308**	206,911	**5,139**	–	**219,447**	206,911
Other revenue	**16,071**	9,607	**–**	–	**16,071**	9,607
Total segment revenue	**230,379**	216,518	**5,139**	–	**235,518**	216,518
Interest income and other unallocated income					**171**	182
Total revenue					**235,689**	216,700
Segment results	**(76)**	13,956	**(175)**	(389)	**(251)**	13,567
Unallocated results					**(4,939)**	(3,529)
Interest and other unallocated income					**171**	182
(Loss)/profit from operations					**(5,019)**	10,220
Finance costs					**(93)**	(546)
(Loss)/profit from ordinary activities before taxation					**(5,112)**	9,674
Taxation					**(1,018)**	(3,680)
(Loss)/profit attributable to shareholders					**(6,130)**	5,994

The Group comprises the following main geographic segments :

	Mainland China		Others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
		(Restated)				(Restated)
Turnover form external customers	**217,223**	198,887	**2,224**	8,024	**219,447**	206,911

3 (Loss)/profit from ordinary activities before taxation

(Loss)/profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2006	2005
	$'000	*$'000*
		(Restated)
Interest on bank advances and other financial liabilities repayable within five years	**93**	546
Share based payment expense	**1,646**	–
Depreciation on property, plant and equipment	**8,751**	8,648
Reversal of write-down of inventories to net realisable value	**(7,593)**	(7,908)
Reversal of impairment on loans and receivables	**(278)**	(530)

4 Taxation

Taxation in the consolidated income statement represents:

	2006	2005
	$'000	*$'000*
		(Restated)
Current tax outside Hong Kong		
Provision for the year	**825**	344
Deferred tax	**193**	3,336
Total income tax expense	**1,018**	3,680

No provision for Hong Kong profits tax has been made in the financial statements (2005: Nil) as the Group's Hong Kong operations sustained a loss for taxation purposes during the year.

Taxation for the Group's operations outside Hong Kong is provided at the applicable current rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the year.

5 Dividends

The Directors do not recommend payment of any dividend for the year ended 30 June 2006. (2005: Nil).

6 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to shareholders of HK$6,130,000 (2005: profit of HK$5,994,000) divided by the weighted average of 1,331,929,000 ordinary shares (2005: 1,262,888,000 ordinary shares) in issue during the year. Diluted figures are not shown as there is no dilutive effect for the years ended 30 June 2005 and 2006.

7 Reserves

	Share premium $'000	Share-based compensation reserve $'000	Legal reserve $'000	Foreign exchange revaluation reserve $'000	Revaluation reserve $'000	Accumulated losses $'000	Total $'000
At 1 July 2005, as previously reported	128,529	–	3,090	1,643	22,119	(64,947)	90,434
Prior year adjustment arising from adoption of HKAS 17 for leasehold land held for own use	–	–	–	–	(1,050)	–	(1,050)
At 1 July 2005, as restated	128,529	–	3,090	1,643	21,069	(64,947)	89,384
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	1,291	–	–	1,291
Transfer between reserves	–	–	–	–	(1,864)	1,864	–
Equity settled share-based transaction	–	1,646	–	–	–	–	1,646
Loss for the year	–	–	–	–	–	(6,130)	(6,130)
At 30 June 2006	128,529	1,646	3,090	2,934	19,205	(69,213)	86,191

BUSINESS REVIEW

For the year under review, the Group's turnover was approximately HK$219.4 million, representing an increase of 6.1 percent as compared with HK$206.9 million as restated last year. Gross profit amounted to HK$71.0 million, representing a decrease of 7.6 percent as compared with HK$76.8 million last year. The loss attributable to shareholders was HK$6.1 million, after an adjustment of HK$1.6 million for the fair value of the new share options, compared with a net profit of HK$6.0 million last year.

The directors do not recommend payment of any dividend in respect of the year ended 30 June, 2006 (2005: Nil).

In the year under review, the Group had consistently focused its business in China. The economic and political environment remained quite stable in the nation. The promising GDP growth had fostered a steady consumer demand favoring our fashion retailing business. As at 30 June 2006, the Group operated 235 "Fun" brand stores in China. The number of directly managed stores increased by 19.3 percent to a total of 148, while the number of franchise stores decreased by 40.4 percent to 87 in total. Most of our retail stores experienced a year-on-year sales increase. The retail situation was dynamic yet volatile. To expand aggressively yet with modest risk, the Group had been revamping and restructuring its franchising mechanism to prepare for a new phase of development. We believed that the new phase of franchising would prevail in our market expansion. We allowed certain expiring franchisees to lapse without renewal, and programmed to invite only high caliber franchisees to run our innovative "Fun" shops under our new concept.

The Group had persevered in its strategy of enhancing market shares and improving margin through strong brand positioning and strong customer loyalty. We had further upgraded our brand image, and focused sharply on our target at the emerging high spending niche of elegant, educated yet trendy youths and young families. Designated programmes on merchandise restructuring were hence carried out in the second half-year. We aimed to participate in the global fashion world. We increased the number of product ranges and trendy collections in the year. Each collection had its distinctive style and meaning. We had our denim collection building up our labeled culture – a U.S. lifestyle expressing adventures and "fun". We had the contemporary collection tailoring to the educated yet trendy youths, and the basic collection catering to our elegant and loyal customers. Coupled with relaxed atmospheres and enjoyable services in our stores, the good product quality and designs had well presented the brand character of "Fun" and its image.

Property development projects in Zhangzhou City of Fujian Province were in smooth progress according to our timetable. The first commercial/residential building with a usable area of approximately 1,290 square meters was completed. All of its units were sold. The ground construction for another piece of land with an area of 15,800 square meters was at the completion stage. The land was intended for erection of a 22-storey commercial/residential building. This project is expected to complete for sale in the near future.

PROSPECT

China achieves a promising GDP growth every year. This enables the huge consumer market to expand each year at a dramatic pace. Our Group is dedicated to capitalizing the opportunities in China's fashion retail market. Our policy is to undertake geographic expansion for our retail operation and network. With intense market competition, the Group will mitigate risks and capital expenditures by pegging a higher proportion of franchising shops instead of self-operating shops in coming years.

The Group is dedicated to achieving a higher profit margin through enhancement of its brand value. We will boost "Fun" image through communicating a strong brand character, and positioning on a more focused customer group. We target at the higher end market where strong yet expanding spending power exists, while avoiding the lower end where price elasticity rules. We will manage "Fun" brand as a unique U.S. lifestyle fashion capturing all the fascinating trends and styles. The Group will continue its strategy of selling quality products identified with a contemporary character. Ladies-wear and menswear for casual, denim and contemporary collections will be intensively structured and delivered to our customer segment. Shop layout, shop atmosphere and promotion programmes will be distinctively composed and launched to elaborate our modern philosophy in life. The Group will monitor the delivery lead-time strictly to ensure timely response to our customers. These measures will concretely build up a new "Fun" image. We believe that higher margin and higher portion of full price sales will be rewarded in return.

The Group will continue to undertake prudent property development projects in China. The demand for street stores and comfortable housing in China's second-tier cities is strong. The construction of the ground work for the 22-storey commercial/residential building known as "Singapore Ritz" in Zhangzhou City is at the completion stage. It is estimated that the construction for this premises will be completed in late 2007 or early 2008. Additionally, the Group will commence pre-construction work on another piece of larger land in the same city soon. We plan to develop this piece of land with ground area of 26,428 square meters by three phases. It is estimated that the ground work for the first phase will be completed around the end of 2007. The Group is able to allocate appropriate expertise and funding for these land development projects. We will prudently acquire additional land reserves in the regions besides Zhangzhou City. The management believes that these property development projects will generate substantial revenue to the Group, in addition to its core business on apparel manufacturing and retailing.

LIQUIDITY AND FINANCIAL RESOURCES

As a result of merchandise restructuring and franchise re-composition, the temporary business interruption had affected the gross profit performance. The gross profit was HK$70.9 million as compared with HK$76.8 million last year. Gross profit percentage was 32.3%, as compared with 37.1% last year.

Because of merchandise review and the corresponding stock adjustment programmes, the apparel inventory level was reduced to HK$9.3 million from HK$18.4 million last year. Average stock turnover for the year was 1.2 months, as compared with 1.7 months last year.

Net cash outflow from operating activities was HK$30.2 million for the reported year, compared with net cash inflow of HK$15.6 million for the prior year. Cash balance at the year end amounted to HK$4.7 million, versus HK$41.3 million at the prior year end.

Outstanding bank loans as at 30 June 2006 was HK$5.8 million (2005: HK$8.9 million). The bank loans were secured by the Group's interest in leasehold land included in inventories under the category of properties under development with an aggregate carrying value of HK$6.9 million.

Capital commitment contracted for but not provided in the financial statement at 30 June 2006 was approximately HK$40.0 million, as compared with HK$21.7 million last year.

The debt equity ratio as at 30 June 2006 was 0.06, compared with 0.09 on the same date last year.

The Group's current ratio as at 30 June 2006 was 2.43, as against 1.68 at the prior year end. Quick ratio was 1.91, versus 1.23 at the prior year end.

HUMAN RESOURCES

As at 30 June 2006, the Group had 2,253 employees (2005: 2,317). The Group offers competitive remuneration, bonus and share option packages based on the performance of the Group and that of individual employees. Much weighting is placed on keeping high quality personnel at all levels. Relevant training courses are offered to employees regularly.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") during the year.

The Company's audit committee is composed of three independent non-executive directors. It reports directly to the board and reviews matters within the scope of audit, such as financial statements and internal controls. The written terms of reference which describes the authority and duties of the audit committee are regularly reviewed and updated by the board. The audit committee has discussed auditing, internal controls and financial reporting matters including the audited consolidated results of the Group for the year ended 30 June 2006.

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code and its code of conduct regarding the directors' securities transactions.

PURCHASE, SALES AND REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the year.

OTHER INFORMATION

The annual report of the Group for the year ended 30 June 2006 containing all the information required by Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
TAN Sim Chew
Chairman

Hong Kong, 13 October 2006

As at the date hereof, the Board comprises seven directors of which Messrs TAN Sim Chew, ZHONG Ma Ming, Fu Zi Cong and LO King Fat Lawrence are executive directors and Messrs WONG Kwai Sang Kays, TSANG Chun Pong and LI Chun Ming Raymond are independent non-executive directors.

* *For identification purpose only*

Please also refer to the published version of this announcement in International Herald Tribune.